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## **National Competition Policy analysis 2025: Interim report**

Further to Ai Group's submission to the Productivity Commission (PC), dated June 2205 on National Competition Policy, we welcome the opportunity to comment on the subsequent Interim report. As stated in our original submission, the Australian Industry Group supports the adoption of international standards, recognising their pivotal role in underpinning trade, driving compatibility, safety, and efficiency across industries while fostering international collaboration.

The PC's Interim report estimates that aligning Australian standards with international or overseas standards could deliver between \$1.9 billion and \$3.8 billion per year in net benefits to the Australian economy. It states that the majority of Australian Standards (675 or 76%) had no equivalent international standard and were bespoke. The PC opines that where no international standard exists, it may be possible to reduce trade barriers by also permitting compliance, in the legislation, with appropriate overseas standards (regulated or voluntary). However, the report also acknowledges that these figures are based on broad assumptions and that the actual net benefit of harmonisation "needs to be considered on a case-by-case basis," as the distribution of costs and benefits is highly uneven across different standards and sectors.

As elaborated on below, Standards Australia required that the Net Benefit framework to be used from 25 April 2027 in response to the PCs review of standards development published in 2006. This framework has been used as a critical hurdle that has to be satisfied before any new standards project can proceed.

In reviewing Standards Australia draft list, of what they believe are mandated standards without international alignment (the "675") referred to by the PC, it would appear that well over half were published from 2009 (allowing in the order of 1.5 years from the commencement of the Net Benefit framework/approval to publication) onwards and thus were likely subject to the Net Benefit criteria depending of course on when they were approved. It would seem incongruous that this Net Benefit test has in some way failed Australia resulting in such a large number of standards that have ignored the economic benefits of international/overseas standards that could have provided an alternative. Arguably Standards Australia's processes would only have considered international standards as by definition these utilise recognised standards development principles in development.

Recommendation: Ai Group does believe that the PC should turn their attention to the role of the SA's Net Benefit framework in their final report and either consider how a quantitative approach may alter estimates of impact on the Australian economy for the "675" standards and/or provide feedback to SA on how the Net Benefit framework can be improved.

Ai Group has provided 3 case studies in the Annexure of mandated Australian Standards that are on Standards Australia's list of 675 and provide significant Net Benefit for Australia.

## **The Net Benefit framework**

The Net Benefit framework (as set out in SAE GU 103) was developed by Standards Australia in direct response to the PC's 2006 report "*Standard Setting and Laboratory Accreditation*", which called for systematic, transparent, and evidence-based evaluation of standards and their regulatory use. The 2006 PC report made several key recommendations:

- **Systematic Cost-Benefit Analysis:** Standards Australia and regulators should "systematically consider costs and benefits before developing or revising a standard, and publish reasons for such decisions."
- **Rigorous Impact Assessment:** All government bodies should "rigorously analyse impacts before making a standard mandatory by way of regulation and ensure it is the minimum necessary to achieve the policy objective."
- **Transparency and Accountability:** The process for developing and referencing standards in regulation should be transparent, with clear justification for departures from international standards and for the inclusion of standards in regulation.

Standards Australia's Net Benefit guide operationalises these recommendations by requiring that every proposal for a new or revised standard include a Net Benefit case, demonstrating that the benefits to the community outweigh the costs. This approach is now embedded in the Memorandum of Understanding between Standards Australia and the Commonwealth Government.

The Australian Government's policy is to adopt international standards where possible, unless there is a compelling Net Benefit case for divergence. The Net Benefit framework is explicitly designed to support this policy by providing a structured, evidence-based approach to evaluating whether a standard (or regulatory reference to a standard) delivers a net positive impact to the community. Ensuring compliance with WTO obligations (Technical Barriers to Trade Agreement), which require that technical regulations be no more trade-restrictive than necessary and that departures from international standards be justified on objective grounds.

The Net Benefit framework is uniquely suited to the PC's task because it requires consideration of all relevant dimensions of impact, including: *Public Health and Safety, Social and Community Impact, Environmental Impact, Competition, and Economic Impact*. This holistic approach is useful for the PC's analysis, which is tasked with assessing not only aggregate economic impacts but also distributional, sectoral, and qualitative effects.

The Net Benefit Guide is designed to be scalable: the depth of analysis is proportionate to the potential impact of the standard or regulatory proposal. For major reforms, detailed quantitative analysis is required; for minor amendments, a more streamlined assessment may suffice. This flexibility ensures that the framework is practical and does not impose unnecessary burdens, while still maintaining rigour.

The Net Benefit framework mandates wide stakeholder consultation, clear documentation and publication of the Net Benefit case, and explicit consideration of alternatives. This aligns with the PC's own principles of open, evidence-based policy development and supports the legitimacy of regulatory decisions.

## **Why a net benefit framework matters**

The PC's interim report estimates that "aligning standards across Australia, and with international and overseas standards could be worth around \$1.9 billion to \$3.8 billion per year (0.1% to 0.2% of GDP)." However, the report also acknowledges that these figures are based on broad assumptions and that the actual net benefit of harmonisation "needs to be considered on a case-by-case basis." This is precisely where the Net Benefit framework is essential. By requiring a structured, transparent, and evidence-based assessment for each standard or regulatory proposal, the framework ensures that only those harmonisation reforms that deliver a genuine net benefit to the community are pursued. Potential negative impacts, distributional effects, and sector-specific considerations are properly identified and managed. The aggregate economic benefit figure can be refined, validated, or reduced based on rigorous, bottom-up analysis rather than broad assumptions. In some cases, the Net Benefit framework may reveal that harmonisation could actually have a negative impact on the economy, reducing the overall benefit figure and making the estimate more accurate, credible, and defensible.

## **Conclusion**

The PC's interim report should at least include Standards Australia's Net Benefit framework as the analytical foundation for its assessment of standards-related reforms. This approach is grounded in the PC's own recommendations, is aligned with government policy and international obligations, and provides a comprehensive, transparent, and practical method for ensuring that regulatory reforms deliver the greatest possible benefit to the Australian community. By doing so, the PC will set a clear benchmark for best practice in regulatory analysis and support the successful implementation of NCP reforms.

## **References**

Standards Australia SAE GU 103 - Guide to Net Benefit  
Productivity Commission *Standard Setting and Laboratory Accreditation* 2006  
Productivity Commission *Competition Analysis 2025 - interim-with-appendices*  
Britax Submission to Productivity Commission's Interim Report  
Australian Cablemakers Association to Productivity Commission's Interim Report

## **ANNEXURE – Australian Standards on the list of “675” providing positive net benefit**

### **Australian Cablemakers Association - Electric Cables AS/NZS 5000.1**

The Australian Cablemakers Association (ACA) has highlighted the importance of adhering to a national standard with a positive net benefit case. AS/NZS 5000.1:2005 is a standard for electric cables, which details the construction, material, and performance requirements for cables used in industrial and large building installations. This standard is specifically designed to reflect Australian ambient temperatures and flame/aging performance.

A practical example of the risks associated with not following the relevant Australian Standard is the mandatory recall of Infinity Cables. These cables, which likely conformed to an overseas standard, proved unsuitable for Australian conditions. The ACA provided evidence to NSW Fair Trading, showing that these imported products were prone to premature and unsafe failure in service. As a result, the ACCC issued a mandatory recall of all Infinity brand cables (believed to have cost Australia in excess of \$100 m), underscoring the safety and reputational risks of uncritically adopting overseas standards.

Australia's unique environment, characterised by high ambient temperatures and harsh conditions, necessitates cable materials that maintain flexibility under prolonged exposure to heat. The Infinity cable, manufactured with inferior performance materials, failed and became dangerous. Additionally, the AS/NZS 5000.1:2005 standard includes provisions to protect against uniquely Australian risks, such as termite damage, which are typically not required in overseas-developed standards.

**Key point** – Local standards like AS/NZS 5000.1:2005 are tailored for Australia's unique conditions, ensuring safety and reliability. Using overseas standards without considering local requirements can lead to significant risks, as seen with the mandatory recall of Infinity Cables. The net benefit of adhering to local standards is enhanced safety, reduced liability, and increased consumer trust.

### **AS/NZS 3000 (Wiring Rules) – Demonstrating High Net Benefit**

The AS/NZS 3000: *Electrical Installations (Wiring Rules)* is one of the most widely referenced and implemented national standards in Australia and New Zealand. It underpins the safety and reliability of all electrical installations in homes, businesses, and infrastructure. This standard has been instrumental in reducing electrical accidents, fires, and fatalities. Its rigorous requirements for installation, inspection, and maintenance have directly contributed to a significant decline in electrical incidents over the decades.

Economically, the standard supports a multi-billion-dollar electrical industry by providing clear, harmonized requirements that reduce compliance costs, facilitate training, and support innovation in products and services. The AS/NZS 3000 is referenced in every state and territory's electrical safety legislation, ensuring national consistency and reducing regulatory fragmentation. It is regularly updated to reflect international best practices while addressing unique Australian and New Zealand conditions, such as climate and voltage differences, maximizing both safety and trade benefits.

The net benefit case for AS/NZS 3000 is overwhelming: the costs of compliance are far outweighed by the avoided costs of electrical accidents, property damage, and loss of life. The standard's clarity and widespread adoption also reduce administrative and legal costs for regulators, insurers, and the courts.

**Key point** – The success of AS/NZS 3000 is a direct result of the structured, evidence-based approach required by the Net Benefit framework, which ensures that every revision is justified by a clear, positive impact on the community.

#### **Britax Childcare – Standards-Driven Safety and Market Stability – AS/NZS 1754**

Britax Childcare Pty Ltd, a Melbourne-based designer and importer of child restraints and strollers, has relied on Australian Standards for over 35 years to ensure product safety and regulatory compliance. Its child restraints meet AS/NZS 1754, a standard superior to overseas equivalents and mandated by the ACCC, while prams and strollers comply with AS/NZS 2088. Despite not aligning with international standards, AS/NZS 2088 has passed the Standards Australia Net Benefit test.

Britax manufactures in China to meet these standards without compromising affordability, demonstrating that rigorous national safety standards do not adversely affect consumer pricing. The company cautions against the automatic adoption of ISO standards, citing limited trialling and lack of Australian input. Britax warns that replacing proven AS/NZS standards could increase misuse and safety risks, particularly given Australia's older vehicle fleet. Britax's experience reinforces the importance of retaining the Net Benefit framework to ensure regulatory decisions are grounded in evidence, stakeholder input, and real-world conditions.

**Key point** - Suppliers can operate in a global supply chain with compliance to a national standard and still bring a positive net benefit to Australia.

We welcome the opportunity to discuss.

Yours faithfully

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